

REED INTERNATIONAL LIMITED ANNUAL REPORT YEAR ENDED 31 MARCH 1974

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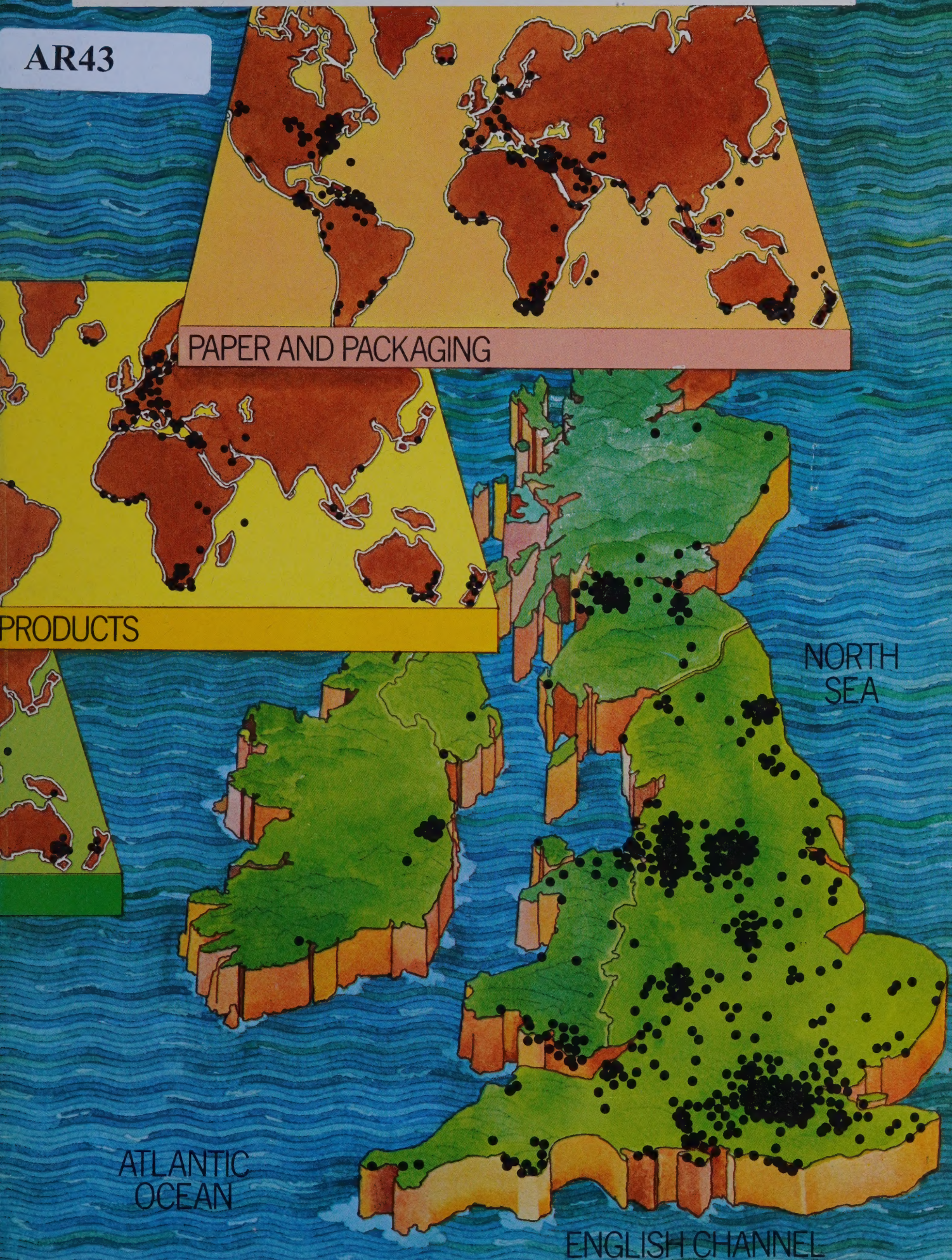
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PRODUCTS

NORTH SEA

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ENGLISH CHANNEL



ANNUAL REPORT

YEAR ENDED 31 MARCH 1974

Contents

Notice of meeting	2
Directors	3
Principal activities	3
Financial highlights and calendar	3
Directors' report	4
Review by the Chairman	6
Consolidated profit and loss account	12
Consolidated balance sheet	13
Parent Company balance sheet	14
Notes on the accounts	15
Auditors' report	21
Accounting policies	22
Associated companies	23
Principal subsidiary companies	24
Directors' interests in share and loan capital	26
Analysis of sales and trading profit	27
Statistics for ten years	28



NOTICE OF MEETING

Notice is hereby given that the Seventy-first Annual General Meeting of Reed International Limited will be held at The Chartered Insurance Institute 20 Aldermanbury London EC2V 7HY on Thursday 1 August 1974 at 12 noon for the following purposes:

To adopt the Report of the Directors and the Accounts of the Company for the year ended 31 March 1974.

To declare a final dividend on the Ordinary Shares.

To re-elect the following Directors:

H. W. Broad
G. S. G. Witherington
R. W. Billingsley
K. H. Davenport
J. H. Smeddle

To authorise the Directors to fix the remuneration of the Auditors.

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member.

By Order of the Board
G. G. Stocks, Secretary

Reed House 82 Piccadilly London W1A 1EJ
9 July 1974

Notes

Only holders of Ordinary Shares are entitled to attend or be represented at the Meeting.

A copy of one Director's Service Contract with the Company is available for inspection at the registered office of the Company during normal business hours and at the place of the Annual General Meeting from 11.45 a.m. until the conclusion of the meeting. No other Director has a Service Contract which is not determinable by the Company within one year without payment of compensation.

DIRECTORS FINANCIAL HIGHLIGHTS AND CALENDAR

Directors

Sir Don Ryder, Chairman and Chief Executive
H. W. Broad, Deputy Chairman
R. W. Billingsley
E. S. Birk
G. H. Cartwright
M. K. Collins
K. H. Davenport
A. A. Jarratt
C. H. H. King
J. H. Smeddle
G. S. G. Witherington

Secretary

G. G. Stocks

Registered Office

Reed House 82 Piccadilly London W1A 1EJ

Registrars

Tudor Registrars Limited
Bourne House 34 Beckenham Road
Beckenham Kent BR3 4TU

Auditors

Champness Cowper & Co.

Principal Activities

Reed International Limited is an international organisation based in the United Kingdom holding world-wide interests and investments. The principal activities of its subsidiary companies fall into four main categories:

Building products

Plastic pipes, guttering and fittings, pitch fibre pipes, irrigation products, baths, ceramic sanitaryware

Decorative products

Wallcoverings, paint, textiles, furnishing fabrics, Polycell 'do-it-yourself' range of products

Paper and paper products

Pulp, paper and board, packaging, stationery

Publishing and printing

Newspapers, consumer and business magazines, books, business directories, general printing

Financial highlights

£ million	1974	1973
Sales United Kingdom	500	438
Sales Overseas	233	159
Sales Total	733	597
Profit before taxation	66	43
Profit after taxation	35	25
Profit attributable to shareholders	33	24
Capital employed	570	507
Capital expenditure	28	17
Earnings per ordinary share	36.1p	26.5p
Dividends per ordinary share	9.398p	9.1875p
Dividends (gross) per ordinary share	13.7582p	13.125p

Thousands

Shareholders	87	89
Employees	82	80

Financial calendar

Financial year end	31 March 1974
Preliminary results for the year issued	20 May 1974
Annual Report for the year issued	9 July 1974
Annual General Meeting	1 August 1974
First quarter's results issued	1 August 1974
Second quarter's results issued	28 October 1974
Third quarter's results issued	27 January 1975

Ordinary dividends payable:

Interim	8 January 1974
Final	8 August 1974

DIRECTORS REPORT

The Directors present their Report and the Accounts for the year ended 31 March 1974.

Principal activities

Reed International Limited is a holding company and a description of the principal activities of its subsidiary companies is given on page 3. The names of the principal subsidiaries as at 31 March 1974 are listed on pages 24 and 25.

Trading results and dividends

The profit attributable to members of the Company for the year was £32.7 million after providing for taxation and outside interests in the profit of subsidiaries.

The Directors recommend payment of a final dividend of 5.198p per £1 Ordinary Share for the year to be paid on 8 August 1974 to shareholders on the Register on 14 June 1974. This final dividend together with the interim dividend of 4.2p per £1 Ordinary Share paid on 8 January 1974 makes a total dividend for the year of 9.398p, which compares with 9.1875p for the previous year. In shareholders hands the gross amount of the dividends, taking into account the imputed tax credit, is 13.7582p which compares with 13.125p for the previous year.

The dividends declared for the year represent the maximum allowed under the statutory dividend controls in force on 20 May 1974, the date of recommendation by the Board.

Ordinary and Preference dividends total £8.6 million leaving £24.1 million to be added to reserves.

Share and loan capital

During the year the following issues of share and loan capital were made by the Company:

169,985 Ordinary Shares and £1,560,883 10% Unsecured Loan Stock 2004/09 as part consideration for the acquisition of the whole of the issued share capital of Edward Curran Engineering Limited, manufacturers of pressed steel baths and other metal products.

425,000 Ordinary Shares as part consideration for the acquisition of the whole of the issued share capital of Gutteridge Sampson Limited, distributors of office equipment and supplies.

4,389 Ordinary Shares and £982 10% Unsecured Loan Stock 2004/09 as a result of the conversion by holders of £16,890 7% Convertible Unsecured Loan Stock 1987/92.

80 million Swiss Franc 6% Loan 1973/88 to provide finance for future overseas expansion.

N.V. Koninklijke Sphinx

On 6 May 1974 the Company made a public offer for all the outstanding ordinary shares of N.V. Koninklijke Sphinx of Maastricht, Holland, manufacturers of ceramics and sanitaryware. The value of the offer is Dutch Florins 150 million, of which Dutch Florins 60.9 million will be payable in cash and Dutch Florins 89.1 million satisfied by the issue of Dutch Florins 11¼% Bonds of the Company. The offer has now been declared unconditional. In connection with the offer the Company has issued to the Dutch public for cash Dutch Florins 10.9 million 11¼% Bonds at par.

Fixed assets

The net book value of freehold and leasehold land and buildings at 31 March 1974 amounted to £89 million.

The Directors consider that it is impossible under current conditions to assess the market value of these assets but they are of the opinion that the aggregate market value exceeds their total book value.

Details of the changes which have taken place in properties and plant during the year are set out on page 15.

Sales and trading profit

A geographical and product analysis is given on page 27.

Directors

The names of the present Directors of the Company are listed on page 3. They were all Directors throughout the year with the exception of Mr. R. W. Billingsley, who was appointed on 1 January 1974, and Mr. K. H. Davenport and Mr. J. H. Smeddle, who were appointed on 18 June 1974. Mr. R. F. Inch and Mr. K. J. Procter were also Directors throughout the year but have retired subsequently.

Sir Hugh Cudlipp and Dr. P. H. Sykes were Directors until their retirements from the Board on 31 December 1973.

The Directors retiring by rotation in accordance with the Articles of Association are Mr. H. W. Broad and Mr. G. S. G. Witherington and, being eligible, they offer themselves for re-election. In addition, Mr. R. W. Billingsley, Mr. K. H. Davenport and Mr. J. H. Smeddle, having been appointed by the Directors, retire in accordance with the Articles of Association and, being eligible, they offer themselves for re-election.

The interests of the Directors and of their families in the share and loan capital of the Company are shown on page 26.

During the year there were no significant contracts in which any of the Directors were materially interested.

Share Option Scheme

No options have been granted under the Share Option Scheme approved at the last Annual General Meeting as this was not permitted under the legislation in force during the year.

Exports

Goods to the value of £44.3 million were exported by United Kingdom companies during the year.

Employees

The average number of persons employed in the United Kingdom in each week of the year was 64,000 and the aggregate gross remuneration paid to them for the year was £132.3 million.

Charitable contributions

Donations made during the year for charitable purposes in the United Kingdom amounted to £55,000, of which £21,000 was for educational purposes. No contributions have been made for political purposes in the United Kingdom.

Substantial holdings

So far as is known no shareholder, corporate or individual, had at 3 June 1974 any beneficial interest which amounted to 10% or more of the Ordinary Share Capital of the Company.

Close Company

The Company is not a 'close company' within the meaning of the Corporation Tax Acts.

Auditors

As a result of a recent merger, J. H. Champness, Corderoy, Beesly & Co., are now practising as Champness Cowper & Co.

By Order of the Board
G. G. Stocks, Secretary
18 June 1974

REVIEW BY THE CHAIRMAN

SIR DON RYDER

This year has been the most problematical that this country, and indeed the western world, has encountered in a generation. It started with a world-wide boom and ended with talk of a world-wide recession. It witnessed a rate of economic growth to which we in this country have become totally unaccustomed, terminated as quickly as it had begun by the oil crisis, the miners' strike and the imposition of the three-day week. It also witnessed a major shift in the balance of economic power overseas, an unprecedented rate of inflation at home and, in both, growing governmental intervention in the operation of business.

The further marked advance in your Company's performance set out in this Report is, against this background, extremely heartening. It is a reflection of the resilience of management and staff to this bewildering rate of change, and of the intrinsic strength and balance that Reed International has now attained throughout the world.

The Corporate Performance

All seven of our major Divisions experienced substantial and, in most cases, continuing growth in demand for their products over the year. Two of them, both based in the United Kingdom, failed to increase their sales in the final "three-day-week" quarter, compared with the quarter before, but then only marginally.

As a result of the three-day week and increased costs, operating profits in the United Kingdom in the last quarter were slightly lower than in the previous year which had benefited from the pre-VAT boom. For the full year, U.K. operating profits were 14% higher and, world-wide, were 51% higher, reflecting the very substantial improvement in the results of our Canadian and South African operations.

Expansion overseas has, as you know, been one of my prime objectives in recent years. I regard it as essential for a company of Reed International's size and standing to be continuously on the look-out for new opportunities in high growth areas to complement, and where necessary replace, those where the returns or the economic environment are unsatisfactory. Your Company's performance this year has further justified this objective.

Financial

Total sales for the year were £733.8 million, an increase of 23% compared with last year. Profit before taxation was £65.5 million, £22.9 million more than last year. The major part of the improvement in the profit arose from our overseas operations which, this year, contributed 43% of the total profit before taxation compared with 26% last year. Earnings per Ordinary Share were 36.1p, an increase of 9.6p.

This year total Ordinary Dividends have again had to be limited to the maximum payable under the statutory dividend controls currently in force.

The consolidated Balance Sheet shows that liquidity remains strong, with short-term deposits amounting to £52.4 million. This reflects mainly deposits held in overseas currencies pending their permanent deployment. In 1972 and 1973, before interest rates rose, several long-term loan capital issues were made overseas in anticipation of financing our overseas investment programme.

The rate of capital expenditure increased during the year, with total expenditure amounting to £28.0 million of which £12.0 million was spent overseas.

Reed Group

This Division had another very successful year. It had its share of general difficulties including serious labour shortages in certain areas, though it was able to work near normal during the power shortage, thanks to its own electricity generating facilities and exemptions granted to customers in special categories. Costs increased substantially, particularly for fuel and essential raw materials, and could not be fully recovered due to Government price controls. The market for paper and board continued to strengthen at home and overseas, accompanied by increasingly serious shortages in paper and pulp supply. Reed Paper & Board (UK) was thus able to operate at full capacity. This high-capacity usage combined with a high level of performance resulted in substantially higher profits, though the return on capital still fell significantly short of what we are seeking for this highly capital-intensive industry. Labour shortages caused us to close the Towgood mill at Sawston. I am happy, however, to report progress towards recovery at the Penicuik mill, which was formerly making heavy losses, and a good year's trading by the Spicer-Cowan merchanting operation.

Much of the success of our U.K. paper and board-making operation turns on its heavy and increasing utilisation of secondary fibre, derived from waste paper, as a raw material. This also assists in reducing the United Kingdom's import bill and contributes to the conservation of vital materials. Waste paper is currently in short supply, but there is now greater public awareness of the need to increase recovery. Very much depends on urgent Government and Local Authority action, and we are pressing strongly for this. Reed Corrugated Cases experienced very heavy demand throughout the year but was able in the main to satisfy it, despite a very tight raw material supply situation. Continued growth in our heavy-duty corrugated board business has led to a decision to set up a new factory designed specifically for this grade at

Langar, near Nottingham. Our van Meurs corrugated factories in Holland and Belgium did very well despite difficult conditions earlier in the year.

The paper sack market was very strong. Reed Medway Sacks' plastic bags operation, too, made further substantial progress in the face of difficulties in polymer supply, and is now firmly established on a profitable basis.

Field had another good year. Substantial investment continued in new machinery and a large raw material and finished goods warehouse, now in process of erection at the Bradford factory, will further improve efficiency. Spicers made the first move in its longer-term plans for development with the acquisition in November 1973 of Gutteridge Sampson Ltd., a company distributing office supplies. Spicers Stationery consolidated the previous year's progress and the Alacra continuous stationery and business forms operation recovered. Spicers International, which operates wholly overseas, advanced considerably in all areas and made a successful first move to extend from its present specialised field of paper and machinery into more general trading, capitalising on our expertise and facilities in wider markets.

During the year, we disposed of our 51% holding in Sande Paper Mill A/S, manufacturers of fluting medium, and our 20% holding in Sande Tresliperi A/S, a mechanical pulp mill. As a result of these sales, we received £2.9 million cash and we obtained agreements for the guaranteed supplies of pulp and fluting until the end of 1978.

International Publishing Corporation

IPC's performance was well ahead in the first nine months despite the severe governmental constraints on its ability to recoup sharply increasing costs, particularly of paper, and industrial disruption, particularly in the London printing factories.

The last three months saw a rapid reversal. The three-day week, combined with a fall in advertising, seriously affected the frequency and size of our journals. Further massive increases in paper prices raised the costs of all products, especially our mass circulation newspapers and magazines. In consequence, IPC's pre-tax profit was markedly below last year's.

There were, however, a number of encouraging features. The *Daily Mirror* increased circulation during 1973 and was thus better able to withstand the effects of its price increase in January 1974. The *Sunday Mirror* sold the highest number of copies in March since 1971. The *Sunday People's* decline in circulation was cut by two-thirds. Our Scottish newspapers—the *Daily Record* and the *Sunday Mail*—had an outstanding year and, I am pleased to say, continue to prosper. Our magazines and business journals continue to

attract a massive readership, the 790 million copies sold every year meeting a wide range of minority interests as well as serving majority needs. The loyalty they inspire in their readers was amply demonstrated this year by the speed at which the circulations of journals disrupted by industrial disputes—in some cases for as long as ten weeks—were re-established. Publishing, like public tastes, never stands still; and the year saw a number of successful new launches. There would have been more but for the changed economic situation.

Our book companies, Hamlyn and Butterworth, were less directly affected by this change than other parts of IPC. They traded well, and derived the benefits of the major reorganisation of their activities and the relocation of nearly all of them outside London which I forecast last year.

After many abortive attempts at making our London printing factories viable ourselves, we also failed to secure Trade Union agreement to their sale to others. The main factories concerned, Southwark Offset, Baynard Press and Noakes Bros. were, therefore, closed in January. The remaining print factories, with the exception of Odhams (Watford), have been regrouped as IPC Printers.

IPC is in the midst of a major change in the economics of publishing, the consequence of rapid and massive increases in paper prices on an historically high cost base. This will inevitably require fundamental changes in the structure and operation of the business. These are being actively pursued and, with our departure from the Newspaper Publishers Association, are being pursued alone as far as our newspapers are concerned. Vital to the success of our efforts will be the full understanding and co-operation of the Trade Unions.

Wall Paper Manufacturers

In a year of reorganisation and consolidation, and despite the post-VAT trough in the United Kingdom in the early months, WPM has once again achieved significant growth. In particular, its European business achieved considerably improved earnings, and concentration on overseas markets generally raised export sales by more than 50%. The most disappointing feature of the year has been the extent to which material shortages have restricted production and extended some delivery periods; but it is now hoped that service levels, particularly for wallcoverings, will begin to improve substantially for all our customers at home and overseas.

A radical restructuring of Crown Products has considerably improved co-ordination across the wide range of activities covered by this company. Meanwhile it has continued to hold its dominant position in the

decorative market, with emphasis on D.I.Y. convenience products and high quality. The introduction of a number of new products developed by our own Research Laboratories was inhibited by national shortages and the overriding requirement to use restricted production resources on existing lines. Crown International has produced dynamic results overseas, including significant progress in production of Anaglypta in Germany in association with Erfurt. Polycell has continued to produce new products for the convenience of the householder with the introduction of Fine Surface Polyfilla and Woodflex Polyfilla; both have been widely acclaimed. In Europe the Polyfilla, Alabastine and Molto companies have made significant progress in terms both of sales and profit. Our facilities in France have been relocated, our brush interests have also been rationalised, and paint brush manufacturing is now concentrated in a new factory at Attleborough. Sanderson Wallcoverings' activities have been successfully consolidated at Gosport and Christchurch, although inevitably with some resulting disruption to supplies. Worldwide demand for Sanderson products has reached record levels and the new collections, including the Triad range of co-ordinated wallcoverings and furnishing fabrics, have been extremely well received. All sections of Sandersons Textile Division have had a good year, although affected by high raw material prices and shortages.

WPM Retail was built up over the years as a chain of relatively small high street shops. While there remains a place in the industry for such shops, the trend of modern retailing has caused us to review this structure. During the year we have disposed of a number of smaller shops and have opened some "new generation" units, under the name of "Idea for Living". These have made an encouraging start.

Decco has emerged from the development stage and has successfully proved that it meets a much needed requirement by retailers in its specialist field of hardware cash-and-carry.

Among our smaller operations, Household Textiles, embracing the wellknown Nylolux and Supalon ranges of curtains, Gilmora and Charisma fashions and other activities in related fields has had another record year, well supported by the mail order trade. Texales, whose main activities service the printing industry, had a particularly successful year and extended its activities in the field of inks still further.

Reed Building Products

This, the youngest of our U.K. Divisions, achieved another year of very satisfactory growth with sales up 24%. Whilst demand from the U.K. building industry remained relatively static in terms of new housing and completions, the Division gained

volume through the 20% upturn in house renovation. Key Terrain traded satisfactorily despite labour shortages and difficulties over the additional raw materials needed to meet the growing demand for its products. L. & P. Plastics, our trade moulding company, substantially increased its turnover despite similar supply difficulties, and is now being moved to larger premises at Broadstairs. Development of our new Celuform low-density cellular profiles has continued and, after a trial marketing period, demand is such that we will now be setting up new factories in the United Kingdom and overseas.

Twyfords did very well throughout the year. Its £4 million expansion will be completed mid-1974, and with many developments under way it will be ready for an upturn in demand thereafter. Edward Curran's steel and plastics bath production is now fully integrated with Twyfords' sanitaryware and tapware; with our "Terrain" plumbing systems a complete package can now be offered to meet the rapidly developing demand for better bathrooms.

Since the year-end, we have acquired N.V. Koninklijke Sphinx, Holland; one of Europe's leading manufacturers of tiles, refractories and sanitaryware. Through Sphinx we will increase our sales of bathroom components throughout Europe. With our complementary Building Products operations in Australasia and South Africa, we are now one of the world's major suppliers of bathroom furniture and fittings.

Irrigation—our newest area of involvement—continues to show great promise. Cameron Irrigation, which was acquired in May 1973, increased substantially its turnover during a year in which it has been actively engaged in establishing distribution points in Southern Europe and the Middle East.

The immediate outlook for the building industry in the United Kingdom is not good. Though order books are currently full, demand is likely to decline dramatically in nearly all sectors. The Government are expected to do everything they can to correct this trend but the Division's forecasts take into account an easing of sales growth and possible pressures on margins.

Australia and New Zealand

In my last Review I reported that IPC's publishing and other operations in Australia and New Zealand had just been transferred to Reed Consolidated Industries in exchange for further shares in RCI. Thus, all the operations directly controlled by Reed in Australia and New Zealand are now owned and managed by RCI, and we have an 81% interest in an important Australian company employing over 5,000 people. Aided by substantial growth in the Australian and New Zealand economies RCI showed considerable

progress in 1973. It achieved a 21 % growth in sales from its existing activities and 31 % growth in its attributable profits; this despite considerable increases in wages and material costs and some supply difficulties. Including the contributions of companies acquired during the year, RCI's pre-tax profits increased from A \$5.7 million to A \$11.5 million on total sales of A \$138 million. However, a large part of this overall increase in profit derived from the transfer of the IPC interests to RCI and from the inclusion, for the first time, of a full year's results from the Building Products Division. This latter Division, which was formed in mid-1972, benefited considerably from the generally high level of building activity in Australia. Considerable growth in profit also accrued from the Decorative Products and Paper Merchandising and Conversion Divisions.

During the year the operations of the Building Products Division were further extended by the completion of a new kiln for producing Twyford's ceramic sanitaryware in Melbourne and by the acquisition of the Elderware Group of companies, who make cisterns and cistern components in Sydney and Brisbane. RCI also made further significant advances in the irrigation market with the acquisition of Controlled Water Emission Systems, an American corporation based in California, and Tru-Rain Irrigation in South Australia. The acquisition of these companies, which manufacture and distribute trickle irrigation and sprinkler systems, adds further range to the equipment already marketed by the Division and very considerably strengthens our research and development facilities in irrigation. RCI attaches considerable importance to its irrigation activities, and has developed ambitious plans for the expansion of its Australian and American operations during 1974.

Packaging operations were consolidated during the year by the completion of a new factory in Brisbane, which houses corrugated and solid fibre operations in Queensland; and by the acquisition of the Carton Division of G. N. Raymond in Melbourne, which now enables the Packaging Division to provide a comprehensive range of packaging for the Victorian market.

RCI is facing the prospect of some erosion in its margins and disruption of its operations in the coming year due to rapidly increasing costs and labour and material shortages. I believe however, that the plans which have been developed to meet these challenges are well based, and I look forward to another successful year for RCI in 1974.

North America

1973 was an excellent year for our Canadian operations. Pre-tax profits for Anglo-Canadian Pulp and Paper

Mills improved by 381 %, even though the strengthening of the Canadian dollar from November 1973 caused some erosion of profit on U.S. dollar sales. Demand for all products was extremely strong, throughout the year. The high level of demand also made it possible to rationalise product mix, improve operating efficiencies, tighten credit controls and rewrite a number of contracts. From August 1973 all newsprint production was switched to lighter weights, thereby reducing fibre consumption. The resultant saving enabled us to re-open in December 1973 the unbleached sulphite mill which had been shut down for most of the year due to lack of fibre because of shortage of manpower in our woodlands.

Anglo-Canadian is building a \$22 million container-board mill in Toronto which will use a secondary fibre as its raw material; a \$63 million expansion at the Dryden Ontario mill; and is studying the feasibility of constructing a new integrated pulp and forest products complex in Northern Ontario with a projected capital cost of \$190 million.

Canadian Wallpaper Manufacturers increased pre-tax earnings by 9 % despite shortages of raw materials and rapidly escalating raw material costs. In June 1974, CWM acquired Gold Crest Products Ltd., for approximately \$8.5 million. Gold Crest manufactures a very successful line of moderately priced furniture and, through its subsidiary National Drapery, is one of the largest and most successful manufacturers of custom-made draperies in Canada.

In July 1973 Reed-Ingram Corporation, a U.S. subsidiary of Reed International, acquired all the shares of Deerfield Specialty Papers for U.S. \$10.2 million cash. Deerfield operates paper mills in Augusta, Georgia, Quebec P.Q. and Munroebridge Massachusetts. It also owns Onieda Packaging Products Inc., a flexible packaging company with facilities at Clifton, New Jersey and Los Angeles, California.

Demand for pulp and paper products is forecast to continue strongly throughout 1974, and the outlook for our North American pulp and paper operations is excellent. While the demand for decorative products is also likely to be strong, problems with raw material supply and prices will continue to restrict the profit growth of CWM.

South Africa

South African trading conditions rallied strongly in 1973 and Reed Corporation had an excellent year, with pre-tax profits more than trebling to reach R5.8 million on sales of R51 million.

Performance within the Building Products Division was enhanced by the acquisition of Pipekor (Pty.) Ltd., a major manufacturer of pvc pipe for plumbing and

drainage and Allied Brass Industries (Pty.) Ltd., manufacturers of plumbing fittings. The Packaging Division was strengthened by the acquisition of Mono Containers (Pty.) Ltd., manufacturers of paper and plastic cups and other containers. We are now proceeding with the construction of a mill in Transvaal for the manufacture of pitch fibre pipe which will further complement our rapid growth and penetration into building products.

Jointly with C. G. Smith Ltd., a leading South African company with large interests in sugar cane production, we are building a mill in Natal to produce woodfree pulp, coated fine papers and soft tissue from bagasse (sugar mill waste). This project, which is financed mostly by local and overseas borrowings, will cost some R45 million, and it is planned to start production in 1976.

Our operating company managers have been in the van in paying adequate minimum wages to all employees. Wages are reviewed and adjusted monthly in the light of cost of living indices and are generally considerably higher than Industrial Council rates. In addition the Reed Pension Scheme, which was consolidated from a variety of company arrangements in 1971, was made available to the Corporation's entire establishment in February 1973.

It remains Reed Corporation's intention to seek a public listing in South Africa at the appropriate time. This is fully justified by its performance record and will support its further growth by giving the Corporation an identity with the South African investor and thus more ready access to capital markets.

Associated Companies

As expected, Kimberly-Clark had a better year despite continued over-supply in the soft tissue market. Prudhoe mill, near Newcastle, is now ahead of plan and an important centre for further expansion. The Donside Paper Co., has continued to improve production, volume and profitability aided by strong market conditions.

J. & J. Maybank substantially increased its sales and profit, reflecting the very high demand for waste papers. Work on the future development of the properties owned by MEPC-Reed continued throughout the year although planning processes imposed their inevitable delays, progress was made on a number of sites including, in particular, the major development in Long Acre. Our associated interests in publishing and allied activities have produced improved results. At home, London & Provincial Poster Group again showed benefits from the merger with Borough Billposting. Favourable trading conditions created a boom in TV advertising which was reflected in a further improvement in the earnings of ATV. The effects of

the three-day working week and further Government legislation, however, have clouded the picture for the current year. Overseas, our associates in France and Holland both reported substantially higher profits; this has been accompanied by a major restructuring of our European business publishing interests in partnership with the Dutch publishing house Elsevier. We have also established with VNU, the other major Dutch publisher, a joint company International Juvenile Publications for expansion into the international juvenile market, starting with the acquisition of the German company, Kauka Verlag.

In Nigeria, our shareholding in the *Daily Times* was finally disposed of in March 1974 in compliance with the Nigerian Enterprises Promotion Decree.

The British Columbian joint venture companies enjoyed their most successful year to date, reflecting the keen world demand for lumber, pulp and paper. It was a disappointing year for Tasman Pulp and Paper in New Zealand. Despite enhanced sales the earnings of the company again dropped as a result of very rapid increases in manufacturing costs and of prolonged industrial action connected with the pulp mill expansion project. The completion of the new pulp mill complex will now be delayed for about a year, and little financial benefit is likely to be felt from it until late 1974.

Manpower

During the year we have continued to devote much time and effort to the improvement of our manpower resources to keep pace with the growing and projected development of the business.

In earlier years we concentrated mainly on evolving an organisational structure which would allow our managers the maximum scope for initiative within the broad framework of approved plans. At the same time we were recruiting and training systematically at all levels in our companies with a view to building strong teams in every department of the business; this activity has been intensified during the year both in the United Kingdom and overseas.

The emphasis is now changing. We believe that there is considerable scope for improving the means of identifying people whose capabilities can be developed and employed in work of greater responsibility. We are, therefore, using all possible means, including our now well-established International Cadre Programme, to learn more about the talent available within our businesses and to use it to best advantage when opportunities for promotion occur.

We have also embarked on a large-scale experiment to develop ways of involving employees at every level in the decisions that most nearly affect them. Success in this can be achieved only by evolving new consultative

procedures and by patiently working on well-established and traditional attitudes to authority. It will be a long and difficult road, but we believe significant and beneficial changes in our management practice could result. Meanwhile, I have good reason to acknowledge once again the contribution of our staff throughout the world who together have made possible the results of the past year. This tribute applies particularly to those who work in the United Kingdom and who have borne with ingenuity and fortitude the trials of the economic crisis and the three-day-week. It has not been an easy time here, and great credit is due to all who enabled us to come through it so successfully.

The Board

Since my last review, there have been a number of Board changes. Sir Hugh Cudlipp and Dr. Philip Sykes retired on 31 December 1973 and, since the year-end, Mr. Reg Inch and Mr. Ken Procter have both retired for health reasons.

Hugh Cudlipp, in my opinion the greatest editorial man of our time, achieved the distinction of being the youngest ever editor of a national newspaper—the *Sunday Pictorial*—at 24. In 1963, he became Chairman of the *Daily Mirror* newspaper and in 1968 he was appointed Chairman of IPC. He joined your Board as a Deputy Chairman in 1970, following the merger with IPC. His retirement is a loss not only to us but to the newspaper industry as a whole.

Philip Sykes joined the Company as Research and Development Director at the end of 1958. He was appointed Deputy Managing Director in 1961 and a Deputy Chairman in 1968. The Board acknowledges its great debt for his valuable and many-sided contribution—as a scientist, as a technically informed member and, from my personal point of view, as a wise and trusted Deputy through the critical and formative years.

Reg Inch joined the Company when Polycell was acquired in 1965. On him fell the difficult task of the initial integration of WPM following its acquisition. He was appointed to the Board on being made Managing Director of Wall Paper Manufacturers in 1967. He remained as a central executive Director when a setback in health caused him to relinquish his appointment as Managing Director of WPM two years ago.

Ken Procter joined the Company in 1960 and was appointed General Manager of Reed Corrugated Cases in 1963. He became a Board member in 1967 on being made Managing Director of RCC and a Director of Field. The enormous success of RCC in recent years reflects the great influence that he has had upon that company.

I extend the Board's thanks to these Directors for the

contributions they have made to the success of the Company and wish them a very happy retirement. Finally, I welcome to the Board Bob Billingsley, Keith Davenport and John Smeddle—the Chief Executives of our Canadian, Australian and South African operations. These appointments recognise not only their individual contributions but also the size and importance of our interests in these countries.

The Year Ahead

There can rarely have been a year more difficult than this in which to forecast the future. Even more than last year, inflation is the major problem facing both governments and companies. We in Reed International are devoting a great deal of effort to studying the implications of sustained inflation for our financial and strategic planning as well as the likely scarcity of key resources. This is clearly essential if we are to take the right decisions about the directions and areas in which your Company can develop successfully in the future. Certainly, recent events have reinforced my long-standing belief in the absolute need for continuing and rapid development overseas.

However, we are a U.K. company with enormous interests in this country that need to be nurtured and, hopefully, extended. This can be done only in an environment of economic and financial stability and encouragement of entrepreneurial skill.

I referred last year to the lack of cognisance by government, in the operation of its price and profit controls, of the needs of industry for growth and evolution. This has not changed; indeed, the restrictions have increased as has the uncertainty about the economic, financial and social environment in which industry is expected to operate in the critical period now ahead of us.

Much is said, and said rightly, about the need to improve the fabric of our society, whether it is in our roles as workers, consumers or citizens. These improvements can come only from the creation of more national wealth; not from relying on the redistribution of what we already possess. National wealth is created essentially by industry; to obstruct, restrict, or unnecessarily control well-founded development in companies such as yours—and the skills of those who work in them—will be to limit the future well-being of everyone in this country.

Reed International is now set to derive the full benefits of the major efforts made in recent years in re-shaping and re-directing its activities. So long as we are given a fair opportunity, I have no doubt that these benefits will be secured, both for the shareholders and those whose livelihood depends on our success.

CONSOLIDATED PROFIT AND LOSS ACCOUNT YEAR ENDED 31 MARCH 1974

£million	Notes	1974	1973
Sales		733.8	597.7
UK companies		500.4	438.3
Overseas companies		233.4	159.4
Profit before depreciation		85.5	62.8
Depreciation		16.8	14.4
Trading profit		68.7	48.4
Income from investments and deposits	6	5.1	1.9
		73.8	50.3
Interest		18.1	13.5
Long-term loans		12.1	10.1
Bank advances and loans wholly repayable within five years		6.0	3.4
Operating profit before taxation		55.7	36.8
UK companies		32.3	28.3
Overseas companies		23.4	8.5
Share of profits of associated companies	4	9.8	5.8
Profit before taxation		65.5	42.6
Taxation	7	30.4	17.6
Profit after taxation		35.1	25.0
Outside shareholders' interests in profit of subsidiaries	11	2.4	1.2
Profit attributable to members of the Parent Company	15	32.7	23.8
Dividends paid and proposed		8.6	8.4
Preference		0.2	0.2
Ordinary			
1974			
Interim	4.200p per share	3.8	
Final	5.198p per share	4.6	
Total	9.398p per share (13.7582p with tax credit)	8.4	
1973			
Interim	3.5000p per share		3.1
Special interim	0.5000p per share		0.5
Final	5.1875p per share		4.6
Total	9.1875p per share (13.125p with tax credit)		8.2
Profit for the year retained	10	24.1	15.4
Earnings per ordinary share of £1		36.1p	26.5p
The calculation of earnings per share is based on earnings of £32.5 million (1973 £23.6 million) and on the 90.0 million ordinary shares in issue during the year (1973 89.2 million)			

Don Ryder } Directors
H. W. Broad }

PARENT COMPANY BALANCE SHEET

31 MARCH 1974

£million	Notes	1974	1973
Fixed assets: properties and plant			
At cost		2.0	2.2
Accumulated depreciation		0.8	0.9
		1.2	1.3
Subsidiary companies	3	337.3	325.0
Investments			
Associated companies at cost	4	1.6	3.3
Other investments at cost	5	0.1	0.8
		1.7	4.1
Current assets			
Debtors		6.8	2.4
Short term quoted investments at market value		2.0	—
Short term deposits		52.1	44.5
		60.9	46.9
Current liabilities			
Bank advances: unsecured		10.6	3.3
Short term advances and bills payable		5.4	5.0
Creditors		7.5	5.5
Taxation	7	5.8	3.7
Dividends		4.7	8.2
		34.0	25.7
		26.9	21.2
		367.1	351.6
Financed by			
Share capital and reserves			
Share capital: preference	8	4.1	4.1
: ordinary	8	90.0	89.4
Share premiums	9	119.0	119.0
Reserves	10	31.4	33.4
		244.5	245.9
Loan capital	12	122.6	105.7
		367.1	351.6

Don Ryder }
H. W. Broad } Directors

NOTES ON THE ACCOUNTS

£million

1 Properties and plant: consolidated

	Land and buildings cost or valuation	Plant and equipment cost	Total
Cost or valuation			
At 31 March 1973	109.3	224.6	333.9
Additions	8.9	19.3	28.2
Surplus on revaluations by overseas subsidiaries	4.7	—	4.7
Held by new subsidiaries on acquisition	2.3	7.2	9.5
Disposals	(6.6)	(14.5)	(21.1)
Adjustments on currency revaluations	3.3	4.4	7.7
At 31 March 1974	121.9	241.0	362.9
Accumulated depreciation			
At 31 March 1973	32.2	137.6	169.8
Charge to profit and loss account	2.3	14.5	16.8
Provided on assets revalued by overseas subsidiaries	(0.2)	—	(0.2)
Accumulated by new subsidiaries prior to acquisition	0.1	2.2	2.3
Provided on disposals	(1.8)	(9.9)	(11.7)
Adjustments on currency revaluations	0.4	2.7	3.1
At 31 March 1974	33.0	147.1	180.1
Net values 31 March 1974	88.9	93.9	182.8
Land and buildings at cost or valuation		1974	1973
Freehold property		104.5	91.7
Leasehold property, 50 years or more unexpired		10.9	11.1
Leasehold property, less than 50 years unexpired		3.3	3.3
Timber limits		3.2	3.2
		121.9	109.3
Amount of valuations			
1920		1.0	0.9
1940/48		1.2	1.2
1952/63		4.9	5.0
1964		15.4	16.9
1966/73		11.1	2.3
		33.6	26.3
No depreciation has been provided on land or on certain commercial properties which are freehold or leasehold with 900 years unexpired (at cost or valuation £25.3m.).			

2 Future capital expenditure not provided in the accounts: consolidated

	1974	1973
Contracts placed	10.5	6.3
Authorised by directors but contracts not yet placed	23.4	10.8
	33.9	17.1

£million

3 Subsidiary companies	1974	1973
Shares at cost	231.7	235.7
Amounts due from subsidiaries	191.6	188.6
Amounts due to subsidiaries	(86.0)	(99.3)
	337.3	325.0

The principal subsidiaries are shown on pages 24 and 25.

4 Associated companies

Consolidated	Quoted		Unquoted		Total	
	1974	1973	1974	1973	1974	1973
Attributable value	1974	1973	1974	1973	1974	1973
Cost less amounts written off	3.1	3.7	46.0	42.9	49.1	46.6
Share of post acquisition retained profits	7.8	6.4	5.0	(1.4)	12.8	5.0
Total	10.9	10.1	51.0	41.5	61.9	51.6
Market value of quoted investments	6.0	14.3				
Share of profits before taxation						
United Kingdom	2.4	2.0	2.4	1.1	4.8	3.1
Overseas	0.4	0.3	4.6	2.4	5.0	2.7
Total	2.8	2.3	7.0	3.5	9.8	5.8
Share of profits after taxation	1.5	1.4	5.2	2.4	6.7	3.8
Dividends and interest received	0.6	1.0	1.4	1.2	2.0	2.2
Summary	Attributable value		Share of profits before taxation			
	1974	1973	1974	1973	1974	1973
Property	19.5	19.5	0.5	0.3		
Publishing, printing, etc.	14.9	12.9	2.1	1.8		
Pulp, paper and lumber : Canada	7.8	4.2	3.0	0.9		
Pulp, paper and lumber : New Zealand	6.2	3.5	0.6	0.7		
Paper and paper products	5.0	4.2	1.7	0.4		
Entertainment	8.5	7.3	1.9	1.7		
Total	61.9	51.6	9.8	5.8		

The results of associated companies have been taken in some cases from unaudited management accounts. The relevant profit after taxation is £1.9m. The associated companies are shown on page 23.

Parent	1974	1973
Cost		
Quoted	—	0.2
Unquoted	1.6	3.1
Total	1.6	3.3
Market value of quoted investments	—	1.2

£million				
5 Other investments	Consolidated		Parent	
Cost	1974	1973	1974	1973
Quoted investments	14.0	14.6	—	0.7
Unquoted investments	8.1	7.2	0.1	0.1
Total	22.1	21.8	0.1	0.8
Valuation				
Quoted investments, market value	7.0	11.9	—	0.9
Unquoted investments, directors' valuation	6.1	6.9	0.1	0.1
Total	13.1	18.8	0.1	1.0
The figures include the following amounts in respect of cost of investments in MEPC Ltd (a UK property company)				
2.7m ordinary shares of 25p (quoted)	6.7	6.7		
£3.5m 5% Convertible Unsecured Loan Stock 1989/94 (quoted)	6.6	6.6		
£5.0m 6½% Convertible Unsecured Loan Stock 1995/2000 (unquoted)	5.0	5.0		
Total	18.3	18.3		
6 Income from investments and deposits	Consolidated			
	1974	1973		
Quoted—excluding associated companies	0.4	0.2		
Unquoted—excluding associated companies	0.6	0.4		
Short term deposits	4.7	1.3		
	5.7	1.9		
Less amounts written off short term investments	0.6	—		
Total	5.1	1.9		
7 Taxation	Consolidated		Parent	
Taxation on the profit for the year	1974	1973	1974	1973
UK Corporation tax at 52% 1973 40%	16.9	11.6		
Less relief for overseas tax	0.8	0.6		
	16.1	11.0		
Overseas tax	11.2	4.6		
Total (including deferred taxation of £3.7m1973 £2.1m)	27.3	15.6		
Taxation on share of associated companies' profits (including overseas tax £0.7m 1973 £0.8m)	3.1	2.0		
Total	30.4	17.6		
Balance sheets				
Amounts payable				
Before 1 January 1975	19.2	11.1	5.7	3.4
On or after 1 January 1975	5.8	9.8	0.1	0.3
Total	25.0	20.9	5.8	3.7

£million

8 Share capital	Authorised	Issued	Issued
	1974	1974	1973
Preference shares (cumulative) of £1 each			
Redeemable at the option of the Company:			
3.15% (formerly 4½% gross): at £1.025 to 30 September 1974 and at par thereafter	1.5	1.5	1.5
3.85% (formerly 5½% gross): at par on and after 31 March 1976	1.2	1.2	1.2
Irredeemable:			
3.50% (formerly 5% gross)	0.3	0.3	0.3
4.90% (formerly 7% gross)	1.1	1.1	1.1
	4.1	4.1	4.1
Ordinary shares of £1 each	90.0	90.0	89.4
Unclassified shares of £1 each	12.8		
	106.9	94.1	93.5

Following the provisions of the Finance Act, 1972 the company's preference shares now carry the right to fixed rates of dividends, exclusive of imputed tax credit, equivalent to 7/10ths of the former gross rates

9 Share premiums

At 31 March 1973	119.0
Premium on issue of ordinary shares	0.8
Share and loan issue expenses including stamp duty	(0.8)
At 31 March 1974	119.0

10 Reserves

	Consolidated	Parent	Subsidiary companies	Associated companies
At 31 March 1973	89.7	33.4	58.0	(1.7)
Profit for the year retained	24.1	1.9	17.5	4.7
Loan capital redemption discount	0.6	0.4	0.2	
Reduction in pension provision consequent upon increased rate of UK Corporation tax	1.6		1.6	
Provision for additional deferred taxation consequent upon increased rate of UK Corporation tax	(3.2)		(3.2)	
Transitional relief in respect of advance corporation tax	1.5		1.5	
Surplus on property revaluations by overseas companies	4.5		2.9	1.6
Exceptional losses arising on termination of unremunerative trading operations (after deduction of £3.5m tax relief)	(2.9)		(2.9)	
Net surplus on disposals of fixed assets and investments	3.9	0.4	3.5	
Exchange differences	3.1	(4.7)	5.8	2.0
Miscellaneous	(0.6)		(0.1)	(0.5)
At 31 March 1974	122.3	31.4	84.8	6.1

11 Outside shareholders' interests in subsidiaries

	Profit after taxation		Balance sheet	
	1974	1973	1974	1973
Preference	0.3	0.4	3.5	7.8
Equity	2.1	0.8	18.0	9.2
	2.4	1.2	21.5	17.0

£million				
12 Loan capital			1974	1973
Parent Company				
Secured				
4½% Debenture Stock 1979/84			1.1	1.1
4½% Swiss Franc Loan 1962			6.9	6.2
5¼% Dutch Florin Loan 1962			1.2	1.3
6% Debenture Stock 1979/84			3.8	4.0
6¾% Debenture Stock 1987/92			4.5	4.6
7¼% Debenture Stock 1987/92			9.4	9.6
7¼% Debenture Stock 1990/95			9.7	9.8
Miscellaneous			0.9	1.0
			37.5	37.6
Unsecured				
5½% Redeemable Unsecured Loan Stock			1.9	1.9
6% Swiss Franc Loan 1973/88			11.1	—
6¾% European Unit of Account Loan 1968/83			5.8	4.6
6¾% Luxembourg Franc Bonds 1987			8.5	8.1
7% Convertible Unsecured Loan Stock 1987/92			1.0	1.1
7¼% Deutsche Mark Bearer Bonds 1973			16.5	14.2
7½% Redeemable Unsecured Loan Stock			3.7	3.7
7½% Unsecured Loan Stock 1996/2001			14.8	15.2
8¼% Dutch Florin Loan 1978/92			7.8	6.9
10% Unsecured Loan Stock 2004/09			13.0	11.4
Miscellaneous			1.0	1.0
			122.6	105.7
Subsidiary companies				
Secured			33.8	32.7
Unsecured			34.2	30.5
Total			190.6	168.9
		Consolidated		Parent
Repayable, mainly by instalments	1974	1973	1974	1973
Within five years	41.6	31.6	19.9	15.3
6 to 10 years	40.5	31.2	28.0	21.7
11 to 15 years	43.1	35.5	30.6	23.5
16 to 20 years	26.8	22.7	15.7	17.0
21 to 25 years	13.6	18.6	8.2	8.4
Over 25 years	16.2	21.3	14.7	14.3
No redemption requirements	8.8	8.0	5.5	5.5
Total	190.6	168.9	122.6	105.7
Includes loans wholly repayable within 5 years				
	21.7	16.0	9.3	8.8

The average rate of interest on all loans is 7.2% pa

The 7% Convertible Unsecured Loan Stock may be converted on the basis of one ordinary share and £0.225 10% Unsecured Loan Stock 2004/09 for each £3.84 of stock on 1 November 1974.

275,072 unissued and unclassified shares are available to satisfy full conversion.

£	1974	1973
13 Provision for pensions		
This represents the estimated total (after deduction of tax relief) of the liability in respect of past service pension rights of International Publishing Corporation Ltd's employees and is payable in equal annual instalments of £1.0m (before tax relief) over the next 12 years.		
14 Loan to a director		
Loan to a director by an overseas subsidiary company under its executive incentive plan, made prior to his appointment as a director.	94,911	—
15 Profit and loss account		
Profit after taxation dealt with in the accounts of the Parent Company amounted to	10,451,000	18,935,000
The profit is after charging :		
Hire of plant	4,191,000	3,287,000
Auditors' remuneration	633,000	498,000
Pensions for services of former directors	12,990	12,887
Payments on retirement to executive directors	37,500	—
Emoluments of the directors of the Parent Company		
Fees	10,617	9,153
Other emoluments	342,140	375,009
	352,757	384,162
The number of directors in each range of emoluments (excluding pension contributions) was as follows :		
The Chairman	46,306	43,341
Other Directors	Number	Number
£7,501—£10,000 (overseas director)	1	—
£10,001—£12,500	1	1
£12,501—£15,000	—	1
£15,001—£17,500	2	3
£17,501—£20,000	4	3
£20,001—£22,500	1	1
£22,501—£25,000	2	1
£25,001—£27,500	—	1
£27,501—£30,000	1	—
£32,501—£35,000	—	1
Emoluments of employees in UK (excluding pension contributions)		
£10,001—£12,500	33	16
£12,501—£15,000	10	10
£15,001—£17,500	6	3
£17,501—£20,000	1	—

£million		
16	Contingent liabilities	Consolidated Parent
Guarantees have been given in respect of:		
Borrowings of associated companies		
	Prince George Pulp & Paper Ltd, jointly and severally with a third party	18·2 18·2
	Intercontinental Pulp Co Ltd, jointly and severally with a third party	18·2 18·2
	Others	14·0 11·8
	Borrowings of subsidiary companies	38·8
Legal actions, which are being contested, have been initiated against two Canadian subsidiaries for alleged pollution.		
It is not possible to quantify the ultimate liabilities, if any.		
The disposal of certain properties to MEPC-Reed Properties Ltd ('MEPC-Reed') in 1972 gave rise to a surplus on which it is expected that tax will be quantified and become payable only if MEPC-Reed "disposes" of the properties.		
The Parent Company has undertaken to indemnify MEPC-Reed against such liability if and when it arises.		

AUDITORS' REPORT

To the members of Reed International Limited

We report on the accounts set out on pages 12 to 25.

In our opinion, based on our examination, on the reports of the auditors of subsidiary and associated companies not audited by us and on the unaudited management accounts of some associated companies, the accounts give a true and fair view of the state of affairs and of the profit and comply with the Companies Acts 1948 and 1967.

Champness Cowper & Co
Chartered Accountants

London
31 May 1974

ACCOUNTING POLICIES

Basis of consolidation

Date of accounts

For administrative convenience the profit and loss accounts of the Parent Company and all UK subsidiaries are for the 52 weeks to 31 March 1974 and the balance sheets are made up to this date.

In order to avoid delay in the completion of the consolidated accounts, the financial year of overseas subsidiaries ended on 31 December 1973.

Conversion of overseas currencies into sterling

Profit and loss items—appropriate average rates.

Intangible assets—rates at date of acquisition.

Assets and liabilities—rates at balance sheet dates.

Associated companies

The consolidated accounts include the appropriate share of the results of associated companies.

An associated company is a company in which a substantial equity shareholding is held on a long term basis and there is participation in commercial and financial policy decisions.

The years in respect of which associated companies' results have been included vary, but none ended earlier than 30 September 1973 and the majority ended 31 December 1973.

Fixed assets

Grants

The cost of plant is stated after deduction of grants receivable.

Depreciation

No depreciation has been provided on land or on certain commercial properties which are freehold or leasehold with 900 years unexpired. For all other properties and plant, depreciation has been provided on a basis that will write off the book value of these assets within their expected life.

Stocks

The amounts included for stocks have been determined on bases and by methods of computation which have been applied consistently and which are considered appropriate in the circumstances of the business of each subsidiary company.

Profit and loss account

Sales are shown at invoice value and exclude VAT and sales between subsidiary companies.

Profits and losses on sales of fixed assets and investments are taken direct to reserves.

Items not applicable to current trading are taken direct to reserves.

All dividends from UK companies include an addition for the imputed tax credit.

Deferred taxation

Deferred taxation comprises the estimated net future liability, at current rates of tax, resulting from:

- (a) depreciation being claimed at a faster rate for tax purposes than that charged in the accounts.
- (b) certain other items included in the profit and loss account being taken into account for tax purposes in future years.
- (c) A deduction in respect of the advance corporation tax and the additional payment on the proposed final dividend.

No provision is made for taxation which would be payable if profits retained in overseas subsidiaries and associated companies were remitted to the United Kingdom.

Research and development

Expenditure is written off as incurred.

ASSOCIATED COMPANIES

31 MARCH 1974

	Registered and operating in	% Equity held
Property		
Kings Reach Investments Ltd.	UK	39
MEPC-Reed Properties Ltd.	UK	49
Publishing, printing, etc.		
Cahners Publishing Co. Inc.	USA	36
Compagnie Francaise d'Editions SA	France	44
Exploitation Maatschappij Misset BV	Holland	40
Gevacur AG	Switzerland	50
Industrial & Trade Fairs Holdings Ltd	UK	40
Kauka Verlag GmbH	Germany	50
London & Provincial Poster Group Ltd: quoted	UK	45
New Medical Journals Ltd	UK	50
Q.B. Ltd	UK	50
Sungravure Pty Ltd	Australia	50
Throgmorton Publications Ltd	UK	50
Pulp, paper and lumber		
Intercontinental Pulp Co Ltd	Canada	38
Prince George Pulp & Paper Ltd	Canada	50
Takla Forest Products Ltd	Canada	44
Tasman Pulp & Paper Co Ltd: quoted 2%	New Zealand	19
Paper and paper products		
Donside Paper Company Ltd	UK	50
*Kimberly-Clark Ltd	UK	33
*J. & J. Maybank Ltd	UK	50
Paper and Packaging Industries (Pty) Ltd	South Africa	47
Entertainment		
Associated Television Corporation Ltd		
Ordinary Shares: unquoted	UK	30
'A' Ordinary Stock: quoted	UK	21
All unquoted unless otherwise stated.		
*Held by Parent Company.		

PRINCIPAL SUBSIDIARY COMPANIES
UNITED KINGDOM
31 MARCH 1974

***Reed Group Ltd**

*Field, Sons & Co. Ltd

*Reed Corrugated Cases Ltd

*Reed Medway Sacks Ltd

*Reed Paper & Board (UK) Ltd:

*Reed Engineering & Development Services Ltd
Spicer-Cowan Ltd

Reed Transport Ltd

***Spicers Ltd:**

Alacra Ltd

Boyden Data Papers Ltd

Coated Specialities Ltd

Guidex Ltd

Gutteridge Sampson Ltd

Reed Charts Ltd

Spicer-Hallfield Ltd

Spicers International Ltd

Spicers Stationery Ltd

Thorburn Bain & Co. Ltd

***Reed Building Products Ltd**

Burn Bros. (London) Ltd

Cameron Irrigation Co. Ltd.

Edward Curran Engineering Ltd

Key Terrain Ltd

L. & P. Plastics Ltd

Twyfords Ltd

***†International Publishing Corporation Ltd**

IPC Services Ltd

IPC Properties Ltd

IPC Newspapers Ltd:

Daily Mirror Newspapers Ltd

Scottish Daily Record & Sunday Mail Ltd

IPC Magazines Ltd

IPC Printers Ltd:

Odhams (Watford) Ltd

IPC Business Press Ltd

Hamlyn Publishing Group Ltd

Butterworth & Co. (Publishers) Ltd

***Wall Paper Manufacturers Ltd**

Wallcoverings Division—Crown Group:

*Wall Paper Manufacturers Ltd

Paint Division—Crown Group:

Smith & Walton Ltd

Walpamur Co. Ltd

Merchant Division—Crown Group:

John Line & Sons Ltd

Household Textiles Division:

Arnold Clayton & Co. Ltd

Bradfield Brett & Co. Ltd

M. Gilchrist Ltd

S. Pickles & Sons (Holdings) Ltd

Polycell Division:

Briton Chadwick Ltd

Chadwick Hollins Ltd

Kervit Ceramics Ltd

Polycell Products Ltd

Retail Division:

WPM Retail Ltd

Sanderson Division:

Arthur Sanderson & Sons Ltd

Dawes & Co. (Nelson) Ltd

Shand Kydd Ltd

Texales Division:

Rigg Holdings Ltd

Sheldons Engineering Works Ltd

PRINCIPAL SUBSIDIARY COMPANIES OVERSEAS 31 MARCH 1974

***Reed Overseas Corporation Ltd**

Australia:

Butterworth Pty Ltd, 81%
IPC Ltd, 81%
Paper Associates Ltd, 81%
Paul Hamlyn Pty Ltd, 81%
Polycell Products Pty Ltd, 40%
Reed Building Products Pty Ltd, 81%
Reed Consolidated Industries Ltd, 81%
Reed Estate Wines Pty Ltd, 81%
Reed Group Holdings Pty Ltd
Reed Paper Products Ltd, 81%
Twyfords (Australia) Pty Ltd, 81%
Wilson Fabrics & Wallpapers Ltd, 81%

Belgium:

Intek SA
NV Polyfilla Products SA

Canada:

Acme Paper Products Co. Ltd, 82%
Anglo-Canadian Pulp and Paper Mills Ltd, 82%
Anglo Paper Products Ltd, 82%
Arthur Sanderson & Sons (Canada) Ltd
Butterworth & Co. (Canada) Ltd
Canadian Wallpaper Manufacturers Ltd
Dominion Colour Corporation Ltd
Dryden Chemicals Ltd, 82%
Dryden Paper Co. Ltd, 82%
Empire Wallpaper & Paint Ltd
General Paint Corporation of Canada Ltd
Hamlyn Publishing Group (Canada) Ltd, 67%
Reed Paper Group Canada Ltd

France:

Intek France SARL
Polyfilla SA

Germany:

Molto GmbH
Erfurt Crown GmbH, 60%

Holland:

Alabastine Holland BV
Handelmaatschappij Firgos BV
van Meurs Golfcartonfabrieken BV

Irish Republic:

Irish Paper Sacks Ltd, 51%
Spicer-Cowan (Ireland) Ltd
Walpamur Co. (Ireland) Ltd

Kenya:

Walpamur Co. (Kenya) Ltd

Malawi:

Valmore Paints (Malawi) (Private) Ltd

New Zealand:

Alex. Cowan & Sons (NZ) Ltd, 81%
Ashley Wallpapers Ltd, 49%
Butterworths of N.Z. Ltd, 81%
E. H. Lund & Co. Ltd, 63%
Polycell Products Ltd, 41%

Nigeria:

Spicers (Nigeria) Ltd

South Africa:

Butterworth & Co. (South Africa) (Pty) Ltd
Crown-Cebestos (Pty) Ltd, 84%
Keartlands SA (Pty) Ltd
Pipekor (Pty) Ltd, 67%
Polycell Products (SA) (Pty) Ltd
Polyfoil Packaging (Pty) Ltd
Reed Corporation (Pty) Ltd
Spicers (Pty) Ltd
Twyfords (South Africa) (Pty) Ltd

Trinidad:

Reed Trinidad Ltd, 65%

United States of America:

Birge Co. Inc.
Butterworth (Publishers) Inc.
Deerfield Specialty Papers Inc, 80%
International Computaprint Corporation, 88%
Montmorency Paper Co. Inc, 82%
Reed-Ingram Corporation, 80%
Sertex Corporation
W. H. S. Lloyd Co. Inc.

*Direct Subsidiaries of Parent Company

†Preference shares held by outside interests

All the equity is held unless otherwise stated

DIRECTORS' INTERESTS IN SHARE AND LOAN CAPITAL

The interests of the Directors and of their families in the share and loan capital of the Company are set out below.

Directors	Ordinary Shares		Unsecured Loan Stocks		
	31 March 1974	1 April 1973 [†]	31 March 1974	1 April 1973 [†]	
Sir Don Ryder	4,052	4,052	£439	£439	10% 2004/09
R. W. Billingsley	15,000	—			
E. S. Birk	13,752	13,752			
	3,476* [‡]	3,550*	£718*	£734*	10% 2004/09
H. W. Broad	1,000	1,000	£112	£112	10% 2004/09
G. H. Cartwright	1,045	1,045	£83	£83	7½% 1996/2001
			£216	£216	10% 2004/09
M. K. Collins	2,312	2,312			
R. F. Inch	6,000	6,000			
	72,859*	82,916*	£375*	£375*	7½% 1996/2001
A. A. Jarratt	300	300			
C. H. H. King	—	—			
K. J. Procter	300	300			
G. S. G. Witherington	3,375	3,375			
	108,650*	109,900*			

[‡]Holding reduced by 412 since 31 March 1974. Apart from this there has been no other change in the Directors' interests during the period 31 March 1974 to 3 June 1974.

[†]On date of appointment if subsequent to 1 April 1973.

The only notifiable interests in respect of subsidiaries relate to R. W. Billingsley who held the following common shares in:

	Date of appointment	31 March 1974	3 June 1974
Anglo-Canadian Pulp and Paper Mills Ltd	10,657	10,657	10,657
	46,129*	45,259*	42,743*
Reed-Ingram Corporation	200	200	200

*Indicates other than beneficial interest.

ANALYSIS OF SALES AND TRADING PROFIT

£ million	Sales				Trading profit			
	1974	%	1973	%	1974	%	1973	%
United Kingdom companies								
Building products	24.0	3	20.3	3	3.3	5	3.5	7
Decorative products	132.2	15	130.4	18	8.6	13	8.8	18
Paper and paper products	229.3	27	182.0	26	23.8	34	15.3	32
Publishing and printing	217.9	26	201.7	28	6.0	9	9.5	20
Total UK	603.4	71	534.4	75	41.7	61	37.1	77
Overseas companies								
North America								
Decorative products	24.5	3	20.5	3	1.7	2	1.6	3
Paper and paper products	70.5	8	57.0	8	10.8	16	3.2	7
Total	95.0	11	77.5	11	12.5	18	4.8	10
Australia								
Paper and paper products	41.2	5	30.5	4	3.0	4	1.6	3
Other activities	38.8	4	21.7	4	4.2	6	2.0	4
Total	80.0	9	52.2	8	7.2	10	3.6	7
Other countries								
Paper and paper products	41.1	5	24.9	3	2.7	4	1.2	2
Other activities	30.3	4	19.1	3	4.6	7	1.7	4
Total	71.4	9	44.0	6	7.3	11	2.9	6
Total overseas	246.4	29	173.7	25	27.0	39	11.3	23
Total	849.8	100	708.1	100	68.7	100	48.4	100
Less inter-company sales	116.0		110.4					
Total sales excluding inter-company sales	733.8		597.7					

STATISTICS FOR TEN YEARS

£million										
Year ended 31 March	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
Sales										
Excluding inter-company sales	733.8	597.7	534.4	502.3	314.4	282.4	249.5	240.4	226.1	149.2
Profits										
Before charging depreciation and taxation	82.3	57.0	44.2	33.4	28.7	25.9	23.1	22.0	27.1	18.8
Depreciation	16.8	14.4	14.1	13.5	9.4	9.0	8.9	8.4	7.7	5.5
Profit before taxation	65.5	42.6	30.1	19.9	19.3	16.9	14.2	13.6	19.4	13.3
Taxation	30.4	17.6	12.6	8.9	8.2	7.6	6.6	6.0	7.2	6.0
Profit after taxation	35.1	25.0	17.5	11.0	11.1	9.3	7.6	7.6	12.2	7.3
Outside shareholders' interests in profit of subsidiaries	2.4	1.2	1.1	1.3	0.9	0.7	0.5	0.5	0.7	0.4
Profit attributable to members of the Parent Company	32.7	23.8	16.4	9.7	10.2	8.6	7.1	7.1	11.5	6.9
Dividends	*8.6	*8.4	11.3	10.7	†6.0	7.0	7.0	7.0	9.3	‡3.8
Retained Profits	24.1	15.4	5.1	(1.0)	4.2	1.6	0.1	0.1	4.2	3.1
Capital employed										
Ordinary shares	90.0	89.4	89.0	84.3	55.2	54.0	53.9	53.9	53.9	37.3
Preference shares	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	2.7	2.7
Share premiums	119.0	119.0	118.8	112.6	72.4	70.7	70.7	70.7	71.2	42.1
Reserves	122.3	89.7	42.9	41.7	34.8	29.7	28.8	26.3	24.3	25.2
Shareholders' funds	335.4	302.2	254.8	242.7	166.5	158.5	157.5	155.0	152.1	107.3
Outside shareholders' interest in subsidiaries	21.5	17.0	15.7	16.5	10.6	9.7	9.2	8.1	13.7	7.2
Loan capital	190.6	168.9	138.3	142.5	95.5	94.2	84.5	81.8	65.7	34.2
Deferred taxation	16.9	10.6	11.6	8.1	7.9	7.3	6.9	5.6	5.0	—
Provision for pensions	5.7	7.8	8.5	9.1	—	—	—	—	—	—
Total funds employed	570.1	506.5	428.9	418.9	280.5	269.7	258.1	250.5	236.5	148.7
Capital utilisation										
Fixed assets	182.8	164.1	169.6	171.2	130.9	127.0	128.3	127.5	126.8	67.2
Investments	84.0	73.4	37.6	37.1	15.6	15.3	14.1	11.3	10.4	14.4
'Excess cost' of subsidiaries	135.4	132.2	126.3	122.1	67.6	64.9	64.7	64.5	63.9	37.5
Net current assets	167.9	136.8	95.4	88.5	66.4	62.5	51.0	47.2	35.4	29.6
Total	570.1	506.5	428.9	418.9	280.5	269.7	258.1	250.5	236.5	148.7
Thousands										
Number of shareholders	86.7	88.9	95.1	103.8	52.7	52.1	55.7	56.6	55.5	29.9
Number of employees	81.8	79.6	79.7	84.0	55.6	53.5	53.3	54.0	55.1	27.7

*Cost excluding advance corporation tax. †After part cancellation of share capital. ‡Net.
The results shown above for 1971 and subsequent years include the results of associated companies. Previous years include only dividends and interest receivable.



CANADA

AUSTRALIA

NEW
ZEALAND

DECOR

PUBLISHING AND PRINTING

BUILDING PRODUCTS